EUROPEAN COMMISSION

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Subject: State aid SA.44628 (2016/N) – Italy
‘Marebonus’ - scheme to incentivise the highways of the sea

Sir,

1. PROCEDURE

(1) Pursuant to Article 108(3) of the Treaty on the Functioning of the European Union ("TFEU") by electronic notification dated 22 September 2016, the Italian authorities notified an aid scheme in support of road-sea freight intermodality (the "Marebonus Scheme").

(2) On 22 and 23 November 2016, the Italian authorities submitted additional information to complement their notification.

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2. **DESCRIPTION OF THE MEASURE**

2.1. **Objective**

(3) The objective of the Marebonus Scheme is to encourage a modal shift of freight from road to coastal and short sea shipping transport by sustaining the intermodal chain and thus to generate environmental and wider social benefits from reduced lorry journeys on the road network.

(4) The objective will be pursued through public financial support for launching new maritime services for combined freight transport or the upgrade of services for combined freight transport on existing sea routes, arriving at and departing from Italian ports, which connect ports in Italy or in the Member States of the European Union or in the European Economic Area.

(5) To that end, the Marebonus Scheme provides grants towards operating costs for new and upgrade of existing coastal and short sea shipping services, with the intention to offset some of the additional costs of switching to a more environmentally friendly mode of transport.

2.2. **Legal basis**

(6) The scheme is part of a broader effort of Italy in support of intermodality developed in the National Strategic Plan of Logistics and Ports, Ministry of Infrastructures and Transport (2015).

(7) The legal basis of the aid scheme is:

- Article 1, paragraphs 647, 648 and 649 of Law 208/2015;
- Article 17, paragraph 3 of Law 400/1988;
- Draft Decree of the Ministry of Infrastructure and Transport and the Ministry of the Economy and Finance on the procedure of allocation and disbursement of the subsidy, hereinafter: ‘the Marebonus draft decree’ (to be formally adopted following approval of the scheme by the Commission);
- Draft Executive Decree of the Director-General of the Ministry of Infrastructure and Transport on the operational procedures for the allocation of the subsidy and the implementation of the projects, hereinafter: ‘the Marebonus draft executive decree’ (to be formally adopted following approval of the scheme by the Commission).

(8) The study of Price Waterhouse Coopers Advisory Spa ("PWC") dated 5 November 2015 and updated in March and September 2016 (the "PWC Study"), commissioned by Italy, presents the results of the calculation of the external cost differential in Italy between road freight transport and alternative modes, including maritime. The PWC Study refers among other sources to the Update of the Handbook on External Costs of Transport, Report for the European
Commission of 8 January 2014. The PWC Study has been published on the website of the Ministry of Infrastructure and Transport, as well as on the website of Rete Autostrade Mediterranee S.p.A., the latter being the managing entity of the Marebonus Scheme.

2.3. Budget

The scheme has been allocated an overall budget of EUR 138.4 million, distributed as follows: EUR 45.4 million for 2016, EUR 44.1 million for 2017 and EUR 48.9 million for 2018.

2.4. Beneficiaries

The beneficiaries under the present scheme are the shipping companies. Pursuant to the Marebonus draft decree, a shipping company is any entity which is ‘undertaking the management of nautical units enrolled in the vessel and float registers kept by port inspectorates or equivalent bodies’.

Undertakings in difficulty are not eligible for aid.

The expected number of beneficiaries might reach 50.

2.5. Eligible projects

Under the Marebonus Scheme, three-year projects presented by ship-owners for the creation of new, Ro-Ro and Ro-Pax, maritime services for multimodal freight transport or the improvement of these same services on existing sea routes are eligible for aid.

The novelty of a shipping line service will be assessed as from the date of publication of the Marebonus draft decree. These services shall not alter the competition equilibrium with environmentally sustainable transportation modes (maritime, inland navigation and railway).

Under the Marebonus Scheme the aid will be granted for projects that meet at least two of the following requirements:

(a) Reduction of the shipping line’s environmental impact (through use of less polluting fuel, emission abatement devices supporting environmental

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2 [www.mit.gov.it](http://www.mit.gov.it)
3 [www.ramspa.it](http://www.ramspa.it)
4 In this context ‘ship-owners’ or ‘maritime companies’ are equivalent terms.
5 Ro-Ro and Ro-Pax refer to Roll-on/roll-off ships which are vessels used to carry wheeled cargo. Ro-Pax are vessels used also for passenger transport services.
performance beyond current legislation, use of special products for keel care, etc.) or through the reduction of emissions per load unit;

(b) Sustainable reduction of time frames for the overall intermodal chain (time reduction may be done through reduced navigation times and for embarking and disembarking procedures);

(c) Improvement of ground services for embarking and disembarking of vehicles;

(d) Greater frequency of shipping line services;

(e) Improvement of on-board services during navigation, including the reception services for the driving personnel;

(f) Implementation of ITS technologies;

(g) Empowerment of safety and security levels;

(h) Offer of increased cargo-hold capacity.

(16) The eligibility of the projects is additionally subject to qualitative and quantitative requirements, based on the environmental benefits of the project, proposed upgrade included. Projects covering adaptations to standards already provided by the current national, European or international regulations, in particular on pollutant emissions, are not eligible for aid.

(17) The service shall be provided through vessels enrolled in registries and flying the flag of one of the Member States of the European Union or of the European Economic Area.

2.6. Eligible maritime routes

(18) In case of projects for establishment of combined transport services along new routes, the number of kilometres avoided on the road network for the subsidy calculation is to be quantified by taking into account the road route avoided on the national territory between the port of origin and the port of destination.

(19) The following routes have been identified in the Marebonus draft executive decree as eligible to aid for the upgrade of services on existing routes.

<table>
<thead>
<tr>
<th>N°</th>
<th>Origin</th>
<th>Destination</th>
<th>Road journeys avoided on national network⁶ (in km)</th>
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⁶ The results represent proxies, based on an economic model intended to reflect realistic alternatives of transfer of cargo while limiting the amount of the subsidies.
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A corrective coefficient has been introduced for the different routes.
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</table>

*Table 1*

### 2.7. Eligible costs

(20) The eligible costs under the Marebonus Scheme have been defined as the additional costs indispensable for launching new and upgraded maritime services, thus contributing to the compensation of the difference in negative externalities between road and sea transport.

### 2.8. Aid intensity

(21) The aid will be limited to the 30% of the cost of operation of the service.

(22) For upgrade of services on exiting route, the aid amount will in any case not exceed 100% of the additional costs related to the upgrade of the service.
2.9. Aid amount and cumulation

(23) Pursuant to Article 7 of the Marebonus draft decree, the funding will be granted in the form of 10 euro cents for each vehicular unit embarked multiplied by the length in kilometres of road transport avoided on the national network.

(24) Should the overall sum of applications for incentive exceed the allocated budget, the aid applied per vehicular unit will be proportionally reduced. Correspondingly, all eligible projects will receive a proportionally adjusted subsidy.

(25) The beneficiaries are obliged to allocate at least 70% of the aid received each year to those of their client companies that carried out at least 150 embarkations of vehicles on the incentivized lines per annum.

(26) Cumulation with other EU, national or regional grants, including similar contributions, granted on the basis of the same eligible costs is possible provided that the cumulated amounts do not exceed 30% of the operational cost incurred for each maritime transport service for the section of maritime route attributable to the national road section avoided and 50% of the difference in the cost of externalities between road and sea transport. Furthermore, the aid cannot be combined with compensations deriving from public service obligations.

(27) Beneficiaries are obliged to return any aid received in case of failure to comply with the provisions of the relevant decree, or declaration by the Commission of non-compatibility of the aid with internal market rules.

(28) No aid has been disbursed so far.

2.10. Duration

(29) Each ship-owner can submit only one three-year project for each eligible route and the project shall not be renewed, extended or repeated. Aid for any successful project will be available for a maximum of three years.

2.11. Selection procedure

(30) The selection of Marebonus Scheme aid eligible projects will be carried out through an open, public and non-discriminatory procedure stating all eligibility conditions.

(31) The submitted projects will then be subject to an eligibility procedure, in order to verify the compliance with all the required conditions by the Marebonus Scheme and the Maritime Guidelines concerning the shipping company and the new route or the upgrading of services on an existing route as described in the project.

(32) In case of multiple projects submitted from the same beneficiary on the same maritime line service, the first project submitted (in chronological order) that satisfies all the required conditions will be considered eligible.

(33) Each ship-owner, under penalty of inadmissibility, shall subscribe to comply with all prescribed commitments listed in the Marebonus draft executive decree, including inter alia:
- a letter of expression of interest, from at least three of the major freight transport companies, even in the form of consortium, that are clients of the line indicated in the project;

- an *ex-ante* analysis of the environmental impact of the projects;

- a declaration, signed by the legal representative of the maritime company applying for aid, indicating the total hold capacity (per route) destined to freight transport expressed in linear metres and a declaration to maintain, on an annual basis and for the whole funding period, at least 70% of said hold capacity;

- for upgrade of an existing service, a commitment to provide copies of agreements and/or bills of lading with one or more companies, even in the form of consortium, that are clients of the line indicated in the project and that have carried out at least 150 annual vehicular unit embarkations eligible on the aforementioned line;

- a commitment to transfer to the companies at least 70% of the aid received as discount or reimbursement.

(34) The assessment regarding the projects’ eligibility is carried out by a committee of the Ministry of Infrastructure and Transport on the basis of the evaluation by the managing entity, *Rete Autostrade Mediterranee*.

(35) The implementation of the results of the selection procedure is subject to a standstill clause of prior approval of the aid by the Commission.

3. **ASSESSMENT OF THE MEASURE**

3.1. **Existence of aid pursuant to Article 107(1) TFEU**

(36) Pursuant to Article 107 (1) TFEU ‘*any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market*.’

(37) The criteria laid down in Article 107(1) TFEU are cumulative. Therefore, in order to determine whether the notified measure constitutes State aid within the meaning of Article 107(1) TFEU, all the above-mentioned conditions need to be fulfilled. Namely, the financial support should:

(a) be granted by the State or through State resources,

(b) favour certain undertakings or the production of certain goods,

(c) distort or threaten to distort competition and affect trade between Member States.

(38) **State resources**: Since the notified measure involves financing granted to the beneficiaries as defined in paragraph (11) above by the Italian authorities, it involves the use of State resources.
Selective economic advantage: The measure reduces the costs that the beneficiaries would normally have to bear. The public financing is directed at certain eligible undertakings in the maritime sector, to the exclusion of competitors of other transport sectors. The measure therefore confers a selective economic advantage.

Distortion of competition and impact on trade: Support by the Italian authorities of coastal and short-sea shipping may distort or threaten to distort competition between the undertakings providing coastal and short-sea freight transport services and competitors offering freight transport services by other modes.

In addition, short-sea shipping is a liberalised market at EU level. When aid granted by a Member State strengthens the position of an undertaking compared with other undertakings competing in intra-EU trade, the latter must be regarded as affected by that aid. It is sufficient that the recipient of the aid competes with other undertakings on markets open to competition.

On the basis of the above considerations, the Commission concludes that the notified aid scheme involves aid within the meaning of Article 107(1)TFEU and is hence, in principle, prohibited, unless deemed compatible with the common market by virtue of any of the exemptions provided for by TFEU or secondary legislation.

3.2. Lawfulness of the aid

By notifying the scheme before implementing it, as indicated in recital (28) and (33) of the present decision, Italy has fulfilled its obligations under Article 108(3) TFEU.

3.3. Compatibility of the aid

Aid under the notified scheme is available for coastal or short-sea services, to encourage the modal shift of freight from road to water.

The Community guidelines on State aid to maritime transport (hereinafter ‘the Maritime Guidelines’) provide for a framework of assessing the compatibility of State aid measures to maritime transport under Article 107(3)(c) TFEU.

The Maritime Guidelines define the scope of the State aid schemes that could be introduced by the Member States in order to support the EU interest in this field.

The Maritime Guidelines allow the granting of operating aid to ship-owners, within the meaning of Article 1 of Regulation (EEC) No 4055/86, in respect of...
ships flying the flag of one of the Member States or the European Economic Area, for the launching of short-sea shipping services provided that the conditions stipulated by Section 10 thereof are fulfilled.

(48) The Commission is therefore of opinion that the present aid scheme has to be assessed on the basis of the conditions of the Maritime Guidelines applicable to aid to short sea shipping. Section 10 of the Maritime Guidelines provides for seven conditions which must be met for aid for short sea shipping to be deemed compatible with the internal market.

3.3.1. Preliminary condition (applicability)

(49) The Maritime Guidelines apply to maritime transport activities, defined in Regulation (EEC) No 4055/86 and in the Regulation (EEC) No 3577/92 as the transport of goods and persons by sea, provided for remuneration (Chapter 2, paragraph 2 of the Maritime Guidelines).

(50) Furthermore, State aid under the Maritime Guidelines may generally be granted only in respect of ships entered in Member States' registers (Section 2.2 of the Maritime Guidelines).

(51) The Commission takes note that the Marebonus Scheme applies to transport services on new and existing routes connecting ports located in the European Union. These services shall moreover be provided through vessels enrolled in registries and flying the flag of one of the Member States of the European Union or of the European Economic Area.

(52) The Commission concludes, therefore, that the applicability conditions of the Maritime Guidelines with regard to the type of activity covered and the characteristics of the beneficiaries have been complied with.

3.3.2. First condition

(53) Pursuant to Section 10, fourth subparagraph, first alinea of the Maritime Guidelines, the aid must not exceed three years in duration and its purpose must be to finance a shipping service connecting ports situated in the territory of the Member States.

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13 General objectives of revised State aid guidelines.

14 Cf. recitals (4) and (19) of this decision.

15 Cf. recital (4) and (17) of this decision.
The legal framework applicable to the Marebonus Scheme includes a requirement according to which each ship-owner can submit only one three-year project for every route. That project cannot be renewed, extended or repeated. The aid under Marebonus Scheme is reserved to maritime routes arriving at and departing from Italian ports, which connect ports in Italy or in the Member States of the European Union.

The Commission therefore considers the first condition has been complied with.

3.3.3. Second condition

Pursuant to Section 10, fourth subparagraph, second alinea, the service must be of such a kind as to permit transport (of cargo essentially) by road to be carried out wholly or partly by sea, without diverting maritime transport in a way which is contrary to the common interest.

The Commission notes first that the Marebonus Scheme has been designed exclusively to capture road cargo traffic. It covers Ro-Ro and Ro-Pax maritime services for multimodal freight transport.

Second, the Commission notes that aid will be additionally granted based on the economies of external costs savings that maritime transport allows to achieve compared to road. Indeed, the beneficiary is granted a maximum funding equivalent to 10 euro cents for each vehicular unit embarked multiplied by the length in kilometres of road transport avoided on the national road network.

The Italian authorities have based underlying values which reflect the environmental costs and benefits generated by the modal shift of freight movements from road to maritime transport, based on the latest evidence available on the external costs of road, rail and waterborne transport. The Commission notes that these values are also applicable to intermodal schemes in Italy involving rail transportation.16

The Commission takes the view that the Marebonus Scheme exclusively serves to attain a Union objective to promote modal shift of freight from road to sea route. The potential impact that the aid may have on distorting competition is outweighed by the wider benefits that the scheme will provide in transferring freight traffic flows from road to water, thus encouraging a modal shift towards a more sustainable transport system.

3.3.4. Third condition

Pursuant to Section 10, fourth subparagraph, third alinea, the aid must be directed at implementing a detailed project with a pre-established environmental impact, concerning a new route or the upgrading of services on an existing one, associating several ship-owners if necessary, with no more than one project

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16 ‘Ferrobonus’ - incentive for rail transport (a scheme targeting final users and multimodal transport operators), approved by the Commission decision of 24 November 2016, SA.44627 (2016/N), Italy, not yet published. Rail freight transport support scheme (a scheme targeting railway undertakings).
financed per line and with no renewal, extension or repetition of the project in question.

(62) First, the Commission notes that the application for aid must include an *ex-ante* analysis of the environmental impact of the projects.

(63) Second, the Commission observes that the public support will be limited to launching new maritime services for combined freight transport or the upgrade of services for combined freight transport on existing sea routes.

(64) Third, the Commission takes note of the provisions of the Marebonus draft decree stipulating that only one three-year project per shipping company will be admitted to be aided for each route. Furthermore, no more than one project can be financed per line, and no renewal, extension or repetition of the project in question is permitted.

(65) The Commission therefore considers that the scheme is directed to projects with clear, pre-determined environmental benefits.

(66) In the light of above considerations, the Commission reaches the overall conclusion that the scheme fulfils the third condition set forth by the Maritime Guidelines.

### 3.3.5. Fourth condition

(67) Pursuant to Section 10, fourth subparagraph, fourth *alinea* of the Maritime Guidelines, the purpose of the aid must be to cover up to 30% of the operational costs of the service in question.

(68) As mentioned in recital (20) above, the subsidy granted to selected projects is limited to compensate for the higher costs of maritime transport, or the value of the benefits of mode shift and in any case, up to 30% of operating costs of the service in question. This is in line with the threshold set forth by the Maritime Guidelines.

(69) As regards the aid for the upgrade of services on existing routes, the Commission notes the aid will in any case not exceed the additional cost related to the upgrade of the service.

(70) Moreover, when the aid under the Marebonus Scheme is combined with other national or Union aid schemes, an overall ceiling of 30% of the operating costs will apply to the combined total of national and Union aid.

(71) The scheme therefore is in line with this condition of the Maritime Guidelines.

### 3.3.6. Fifth condition

(72) Pursuant to Section 10, fourth subparagraph, fifth *alinea* of the Maritime Guidelines, the aid must be granted on the basis of transparent criteria applied in a non-discriminatory manner to ship-owners established in the Union. The aid should normally be granted for a project selected by the authorities of the Member State through a tender procedure in compliance with applicable Union rules.
The Commission notes that the criteria applied for awarding the aid in the procedure for selecting the projects, laid down in the Marebonus legal framework, have been designed in a transparent and non-discriminatory manner to ensure equal treatment among the ship-owners in the European Union. Prior to the granting of the aid the viability of the projects will be assessed on the basis of criteria to be published in the Marebonus executive decree. Following evaluation of the applications, the grants will be decided on the basis of objective, transparent and prior established criteria. In this regard the Commission notes that the list of the eligible routes has been defined as well as the criteria for opening a new route. In addition, the eligibility requirements applicable to the improvements of services on existing routes have been sufficiently detailed and coupled with quantitative and qualitative criteria allowing the selection of the project that offers the highest prospects for environmental performance. Also, the Commission observes that in the event of budget restrictions, as stated in recital (24) above the aid amount granted to the eligible beneficiaries is proportionally reduced.

The Commission therefore concludes that the procedure for the selection of projects observes the transparency and non-discrimination requirements set forth in the Maritime Guidelines. The Marebonus Scheme is therefore in line with this condition.

3.3.7. Sixth condition

Pursuant to Section 10, fourth subparagraph, sixth alinea of the Maritime Guidelines, the service which is the subject matter of the project, being it a new or upgraded one, shall be of a kind to be economically viable after the period in which it is eligible for public funding.

The Marebonus draft executive decree contains a specific condition which applies to all subsidised services, according to which those that are granted a subsidy – being new or upgraded – must be carried on at least for 36 months following the funding period and keeping quality and/or quantity improvements without receiving any aid. It is moreover specified that such condition will be subject to verifications during project monitoring, under penalty of subsidy recovery.

The Commission concludes that the abovementioned obligation under the Marebonus Scheme indicates that the relevant projects are likely to be economically viable after the period of public funding.

3.3.8. Seventh condition

Pursuant to Section 10, fourth subparagraph, seventh alinea of the Maritime Guidelines, the aid must not be cumulated with public service compensation (obligations or contracts).

The Italian authorities confirmed that aid under the prolonged scheme will not be cumulated with public service compensation. The Marebonus Scheme is therefore in line with this condition.
3.3.9. Conclusion

(81) In view of the foregoing, the Commission consider that the abovementioned compatibility criteria are met in the present case.

(82) The Commission therefore concludes that the aid scheme under scrutiny is necessary to pursue a common objective and that the advantage conferred by it is not disproportionate insofar as it does not have an adverse impact on competition and on trade. The Commission therefore concludes that the aid is compatible with Article 107(3)(c) TFEU.

4. Decision

(83) The Commission has accordingly decided

- not to raise objections to the aid on the grounds that it is compatible with the internal market pursuant to Article 107(3)(c) TFEU.

(84) The Commission reminds the Italy that, in accordance with Article 108(3) TFEU, all plans to refinance, alter or change this aid scheme must be notified to the Commission.

(85) If this letter contains confidential information which should not be disclosed to third parties, please inform the Commission within fifteen working days of the date of receipt. If the Commission does not receive a reasoned request by that deadline, you will be deemed to agree to the disclosure to third parties and to the publication of the full text of the letter in the authentic languages on the Internet site:

http://ec.europa.eu/competition/elojade/isef/index.cfm

Your request should be sent by registered letter or fax to:

European Commission
Directorate-General Competition
State Aid Greffe
B-1049 Bruxelles
Fax: +32 2 296 12 42

Stateaidgreffe@ec.europa.eu
Yours faithfully,

For the Commission

*Margrethe Vestager*

Member of the Commission